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1965

Annual Report

**PLACE GAS & OIL
COMPANY LIMITED**



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PLACE GAS & OIL COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER THIRTY-FIRST, 1965

DIRECTORS

HON. JOHN B. AIRD, Q.C.	. . .	Toronto, Ontario
JOHN A. BAILEY	. . .	Toronto, Ontario
D. C. EARLY	. . .	Toronto, Ontario
V. N. HARBINSON	. . .	Toronto, Ontario
J. E. HOUSTON	. . .	Toronto, Ontario
H. W. HUNTER	. . .	Kitchener, Ontario
P. E. LAFONTAINE, Q.C.	. . .	Westmount, Quebec
A. D. G. REID	. . .	Toronto, Ontario
REAL ROUSSEAU	. . .	Windmill Point, Quebec
C. R. J. SMITH	. . .	Toronto, Ontario

OFFICERS

C. R. J. SMITH, Toronto, Ontario	. . .	<i>President</i>
HON. JOHN B. AIRD, Q.C., Toronto, Ontario	. . .	<i>Vice-President</i>
J. D. S. BOHME, Toronto Ontario	. . .	<i>Secretary</i>
P. G. TURNER, Toronto, Ontario	. . .	<i>Treasurer</i>

HEAD OFFICE

Suite 605, 80 Richmond Street West, Toronto 1, Ontario

FIELD OFFICES

Nanticoke, Ontario and Colchester, Ontario

TRANSFER AGENT & REGISTRAR

EASTERN & CHARTERED TRUST COMPANY, Toronto, Ontario



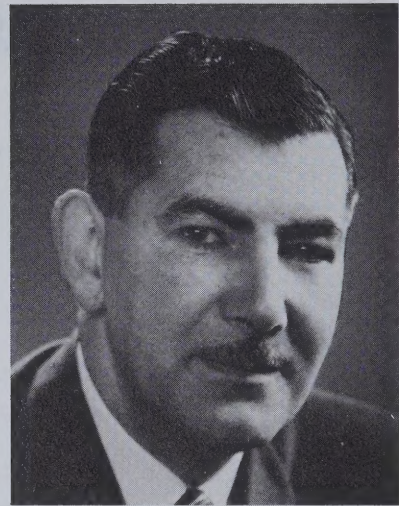
ENGLISH SUBSIDIARY COMPANY

PLACE OIL & GAS COMPANY (U.K.) LIMITED
18 Austin Friars, London, E.C. 2, England

DIRECTORS

CLIFFORD R. J. SMITH, <i>Chairman of the Board</i>	Toronto, Ontario
HON. JOHN B. AIRD, Q.C.	. . . Toronto, Ontario
SIR MICHAEL BUTLER, Bart.	. . . Toronto, Ontario
R. C. G. CLARKE	. . . London, England
J. E. SIMON	. . . London, England

DIRECTORS REPORT



To the Shareholders:

The year ended December 31, 1965, saw enhancement of your company's potential in the North Sea, and a continuing flow of revenue from Lake Erie operations.

North Sea Developments

The spectacular discovery, by British Petroleum, of commercial gas in the North Sea, stirred the imagination of the public and aroused the interest of investors on both sides of the Atlantic. It also sparked an intensive search by the world's major oil companies, with the result that by the year end, 11 wells had been or were being drilled in the North Sea. Early in the current year, a second major commercial gas discovery was made, this time by the Shell-Esso group, with an apparent potential even greater than the B.P. well.

These discoveries are of great significance to your company, particularly since the British Petroleum well is located only 18 miles from the boundary of Place Oil & Gas Company (U.K.) Limited's offshore holdings.

It may be useful to outline briefly your company's interests in the North Sea, and progress made since the last annual meeting of shareholders a year ago. Additional details are given by our consultant, Colin Fothergill, Ph.D., A.R.S.M., F.G.S., further on in this report.

As you will recall, Place Oil & Gas Company (U.K.) Limited (45%) in participation with Noranda Mines Limited (45%) and Sarcee Petroleums Limited (Husky Oil of Canada Limited) (10%) obtained from the British government oil production licence P.045 covering more than 600 square miles (approximately 384,000 acres) of the North Sea. In November, 1965, this holding was increased to 695.52 square miles (445,130 acres) by the award of licence P.080.

The location of this acreage starts three miles offshore, and stretches from the Wash to a point north of the mouth of the Humber River.

With the approval of shareholders, your company acquired last year the 49% share interest in Place Oil & Gas Company (U.K.) Limited formerly held by International Petroleum Drilling Consultants Limited. The U.K. corporation thus became a wholly-owned subsidiary of your company, enhancing considerably its position.

A seismic survey of the northern part of the holdings was completed in April, 1965,

followed by a second survey carried out in September on a structure indicated earlier. Evaluation of seismic data confirmed the existence of a closed area well placed for possible gas entrapment.

For the current year, your company's program provides for further detailed seismic work on this favourable structure, as well as on other areas of interest. It is hoped that drilling may start later this year, subject to the availability of a drilling platform and to financial arrangements necessary in view of the magnitude of these operations.

Other Interests Outside Canada

Apart from the North Sea acreage, Place Oil & Gas Company (U.K.) Limited has a 100% interest in exploration licences for oil and gas in the Wash and Lancaster Fells Areas of Great Britain. Field work in the latter area has confirmed prospects of three structures, and it is intended to drill test the most favourable of these as soon as a drilling rig can be obtained.

Another wholly-owned subsidiary, Place Gas & Oil Australia N.L., is considering exploration of several oil and gas areas on that continent. Your company has retained its interest in the Pan Arctic Syndicate and in the study of the arctic regions.

Lake Erie Operations

A detailed review of operations in Lake Erie and southwestern Ontario by R. B. Harkness, P. Eng., appears later in this report. During 1965, your company drilled five gas wells on its acreage in the Walpole Selkirk area held jointly with Mitchell Associates of Houston, Texas. Four of these proved of commercial value and were tied into the Place-Mitchell gathering system.

Your company now owns 31 commercial wells and has a 50% interest in 25 gas wells. Gas production from all wells increased by 10% to 683,660,000 cubic feet in 1965 from 618,838,000 the year before.

A second drilling rig has been acquired by your company and further offshore drilling is planned, both for the company's own account and for the account of another Lake Erie gas producer.

It should be noted that the Lake Erie production provides your company with its basic revenue. The wells being shallow, drilling expense is relatively low, with revenue commensurate to cost. It is hoped that these wells will continue to be a source of steady income for your company in the years ahead.

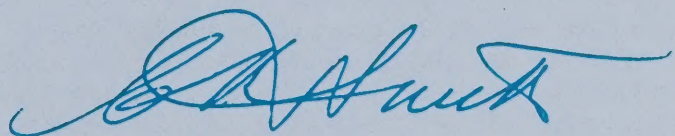
Working Capital

The financial position of your company is shown in the enclosed statements, but your attention is drawn to the fact that working capital has been increased by the recent underwriting of 100,000 treasury shares at \$2.40 per share.

Your directors intend to continue the company's exploration program in the North Sea and in the United Kingdom, and its efforts towards greater gas production from the Lake Erie holdings.

The management of your company appreciates the confidence and support of its shareholders and plans to keep them informed of significant developments as they occur. The loyalty and cooperation of the company's personnel during the year is greatly appreciated.

On behalf of the Board



CLIFFORD R. J. SMITH
President and Managing Director.

May 2nd, 1966.



ENGINEERS REPORT

SUMMARY OF OPERATIONS IN LAKE ERIE AND SOUTHWESTERN ONTARIO FOR 1965.

To the President and Directors,

The Company holds in good standing in Southwestern Ontario, a 100% interest in 37,126 acres, of which 3,766 acres are covered by land leases, 6,305 acres offshore in Lake Erie held under 21 year leases from the Province of Ontario and 27,055 offshore acres also situated in Lake Erie and held under Licenses of Occupation issued by the Ontario Government.

A 50% interest in a further 42,448 acres offshore in Lake Erie are also held by the Company, of which 8,260 acres are secured by Province of Ontario 21-year leases and 34,188 acres held under Ontario Provincial Licences of Occupation, all of which are in good standing.

Well Drilling Activities

The Company's drilling activities were primarily devoted to its jointly held 37,328 acre Lake Erie offshore field in the Walpole-Selkirk area by the drilling of 5 wells for its joint account, 4 of which were commercial and 1 non-commercial; while Mitchell & Mitchell Properties Inc., who had earned a 50% Interest in this field by the drilling of 10 wells, drilled a further 2 wells in accordance with the terms of the Farmout Agreement, both of which were commercial.

One non-commercial well was drilled, plugged and abandoned on the Company's wholly owned offshore acreage in the Port Dover area.

COMMERCIAL GAS WELLS DRILLED TO DATE

Area	Place 100%	Place 50%	Total	Tied-In	Shut-In
Walpole	27	24	51	49	2
Port Dover	4	—	4	2	2
Point Pelee	—	1	1	—	1
	31	25	56	51	5

Jointly Held Offshore Gathering System

During the year the Company added a further 25,231 feet to its jointly held 132,880 foot offshore Gathering System and main pipe line, bringing the aggregate length to 158,111 feet of which 100,843 feet comprises the 2 $\frac{3}{8}$ " Gathering System and 57,268 feet comprises the 4 $\frac{1}{2}$ " main line to shore.

The 25,231 foot addition was constructed to tie in 5 of the 6 commercial wells drilled jointly by Place and Mitchells in order to market the natural gas therefrom.

Other Offshore Activities

The Company also received a contract for and constructed a 13 mile pipeline and gathering system in the Walpole-Selkirk offshore area for another Lake Erie Operator.

Production of Gas and Oil

Gas Production was approximately 10% higher than in 1964.

Comparative 1964-1965 Figures:	1964	1965
Wholly owned Walpole Field	513,175 M.Cu.Ft.	335,548 M.Cu.Ft.
Jointly owned Walpole Field	*40,370 M.Cu.Ft.	328,112 M.Cu.Ft.
Port Dover Field	65,293 M.Cu.Ft.	20,000 M.Cu.Ft.
* (1½ mos.)	618,838 M.Cu.Ft.	683,660 M.Cu.Ft.

All gas produced was sold to Union Gas Company at 37¢ per M.Cu. Ft. and subject to a royalty of 10% or the annual lease rental cost, whichever is the greater.

Oil Production . . . Work on the Company's offshore Colchester No. 1 Well was completed in April 1965 and the production to December 31, 1965 consisted of 7,627 barrels of high grade crude oil subject to a crown royalty of 10% or the annual lease rental cost, whichever is the greater. The income from the Company's 2.6571% interest in the Groh No. 1 Well onshore at Colchester amounted to the equivalent of 213½ barrels of high grade crude oil.

GAS AND OIL ACREAGE HELD IN SOUTHWESTERN ONTARIO

Offshore Lake Erie	100% in 33,360 Acres
Offshore Lake Erie	50% in 42,448 Acres
Land Acreage Dawn Township	100% in 3,025 Acres
Land Acreage Chatham Township	100% in 741 Acres

1966 Program . . . Due to the acquisition of a second drilling rig the Company finds itself in a very favourable position and plans to develop more off-shore wells for its own account and has entered into negotiations for a contract to drill a number of wells for another Lake Erie operator.

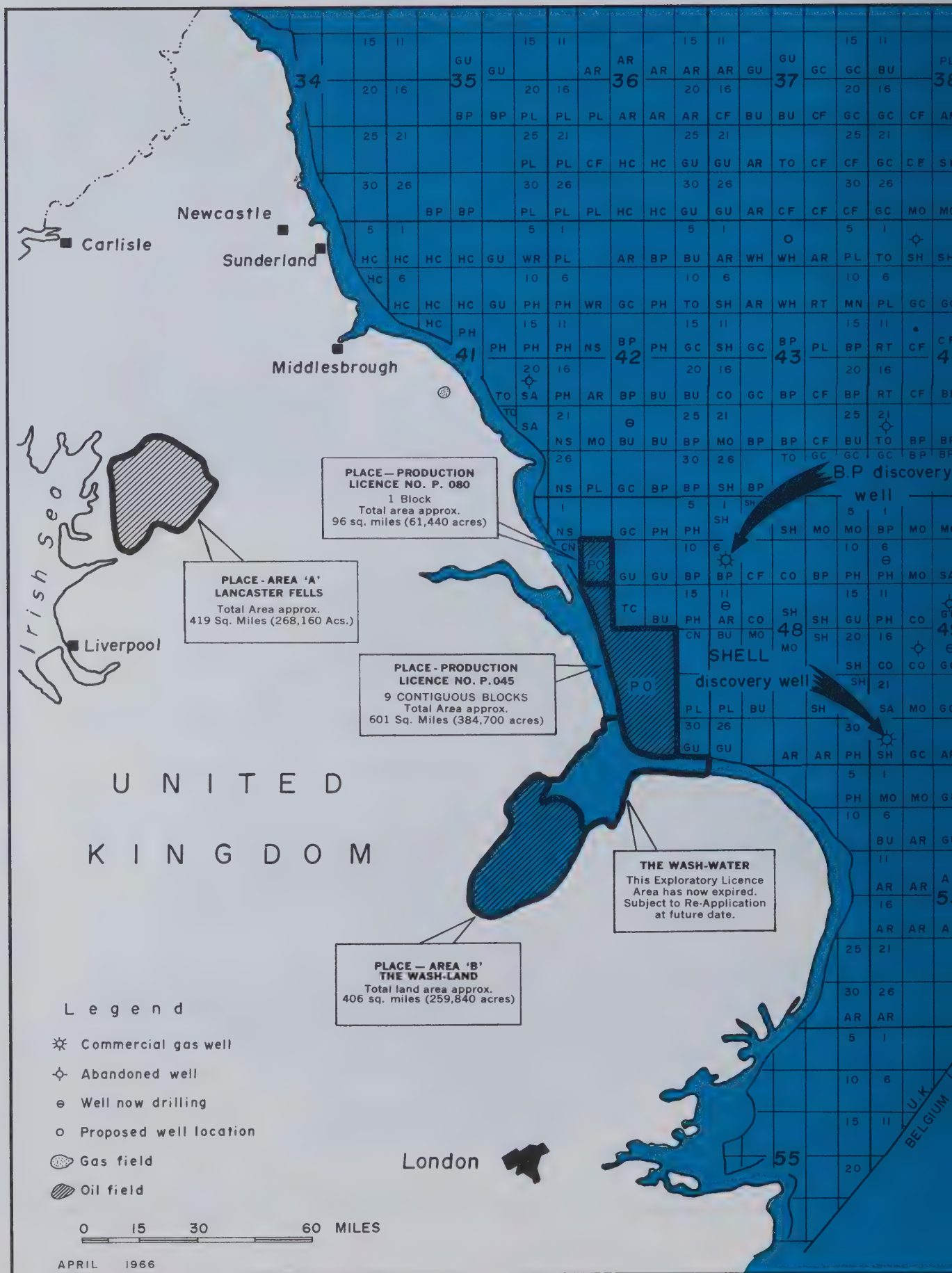
April 11th, 1966
Toronto, Ontario

Respectfully submitted:
R. B. HARKNESS, P.Eng.



L e g e n d

-  PLACE Gas and Oil Leases & Licences
-  PLACE Farmout Acreage
-  Natural gas field
-  Oil field
-  Pipeline system



PETROLEUM EXPLORATION MAP
OF
UNITED KINGDOM SECTOR OF NORTH SEA

UNITED KINGDOM LEASEHOLDERS

PO Place Oil & Gas Company (U.K.) Limited Noranda Mines Limited Sarcee Petroleum (Husky Oil Company Ltd.)	CO Continental Oil (U.K.)	PL Placid Oil (G.B.) Ltd.
AL Allied Chemical (G.B.) Ltd.	GC The Gas Council Amoco U.K. Petroleum Ltd. Amerada Exploration Texas Eastern (U.K.)	RT Rio Tinto Zinc Corp. Northcliffe Development Hamilton Bros. Oil Co. (G.B.)
AR Arpet Petroleum Ltd. British Sun Oil Co. North Sea Explt. & Research Ltd. Superior Oil (U.K.) Canadian Superior Oil (U.K.)	GU Gulf Oil (Great Britain)	SA Signal Oil & Gas Co. Richfield U.K. Petroleum Marathon Petroleum North Sea Cities Service (U.K.)
BP BP Petroleum Development Ltd.	HA Hamilton Bros. Oil Co. (G.B.) Ltd. Rio Tinto Zinc Corp. Ltd. Blackfriars Oil Co. Ltd. Trans-European Co. Ltd.	SH Shell (U.K.) Esso Petroleum Co.
BU Burmah Oil Exploration Co. Imperial Chemical Industries Murphy Petroleum Ocean Exploration Co.	HC Home Oil of Canada	TC Trinidad Canadian Oils
CF California Oil Co. Texaco North Sea U.K.	MN Monsanto Chemicals	TO Total Oil Marine Coastal Oil Co. Auxirap (U.K.) Eurafrep Co. Cofrasea Oil Co. Coparex North Sea Petroleum
CN Canadian Industrial Gas (U.K.) Ltd.	MO Mobil Prod. North Sea	WH Whitehall Petroleum
	NS North Sea Selection Co.	WR Whiterock Oil & Gas
	PH Phillips Petroleum Expl. U.K. Fina Exploration AGIP Century Power & Light Plascom (1909) Halkyn Dist. Utd. Mines Oil Exploration	

SEAS

NORTH SEA

NETHERLANDS

WEST GERMANY

Groningen

Slochteren Gas Field

Bremen

IJssel Meer

Amsterdam

The Hague

Rotterdam

Antwerp

Dusseldorf

MAP DRAWN FROM INFORMATION BELIEVED TO BE RELIABLE BUT
INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS ARE NOT CERTIFIED

GEOLOGIST'S REPORT

OIL AND GAS EXPLORATION IN THE UNITED KINGDOM AND BRITISH NORTH SEA

The Chairman and Directors.

Gentlemen:

Following the first issue of Production Licences in the British North Sea by the Ministry of Power in September 1964, there has been intensive exploration in the region and by the end of 1965 eleven wells had been drilled or were drilling with six wells scheduled for early in 1966. The most important development in 1965 was the discovery of a commercial gas field in block 48/6 by the British Petroleum Company Limited in Permian Rotliegendes sand equivalent to the producing formation of the Groningen gas field in the Netherlands. This discovery is only about eighteen miles northeast of Licence P.045 held by your Company and it enhances considerably the prospects of this general near-shore region of the North Sea.

It is now the view that the British North Sea in general will prove to be a major source of gas which will contribute materially to the British fuel economy. This has become evident since the recent announcement in April 1966 by the Shell-Esso group of the discovery of a commercial gas field in block 49/26 which is expected to have a potential greater than that of the field discovered by the British Petroleum Company which itself has an anticipated potential of up to 200 million cubic feet per day.

NORTH SEA

Licences P.045 and P.080

In August 1965 the British Ministry of Power invited applications for further licences in respect of open blocks in the North Sea and your Company applied for blocks 47/6 and 47/7, contiguous with Licence P.045, so as to extend its holdings northwards across an area of prospective interest revealed by seismic surveys carried out earlier in the year. Because of competitive interest your Company was awarded only one of these blocks, namely 47/7, and this has been designated as Licence P.080, comprising an area of 94.52 square miles (60,490 acres) to be held for six years from November 1965. Place Oil and Gas Company (U.K.) Limited has acquired a 45% undivided interest in this holding, the remaining interest being held by Noranda Mines Limited and Sarcee Petroleums Limited, (Husky Oil of Canada Limited). The total holdings of the group in the North Sea now amount to 695.52 square miles (445,130 acres) comprising ten blocks designated as Licences P.045 and P.080 which may be regarded as a unit area from the aspect of exploration.

Seismic Surveys

The first seismic survey of the North Sea holdings was carried out in March and April 1965 by Geophysical Services International Limited. This consisted of about 160 miles of traverse using three-fold digital recording, mainly in the northern half of Licence P.045 where the more favourable prospects were expected. The results were analogue and digitally processed, and their interpretation showed an important structure to be developed in the northern blocks. For this reason a second seismic survey was carried out by G.S.I.

Limited in September 1965 in order to provide details of this structure. This comprised about 60 miles of traverse, using similar recording and processing techniques, and the results revealed a closed area on a nose structure bounded to the west by a fault which could provide favourable trapping conditions.

Seismic and well data have also been acquired from neighbouring licencees and these have shown that the regional structural and stratigraphic setting of this structure are well placed for gas entrapment.

Future Programme

In order to finalise details of this structure, which can be regarded as the first drilling prospect, and at the same time to evaluate structural conditions in block 47/7 a further seismic programme is planned for the early summer of 1966. This will be carried out as a joint programme with Canadian Industrial Gas Limited and Trinidad Canadian Oils Limited, who hold adjoining licences, in which Place Oil and Gas Company (U.K.) Limited is acting as managing agent. Arrangements have been made whereby each company will acquire seismic data by exchange with the other two companies and the survey will be carried out by Prakla, Hanover, West Germany, using three-fold analogue-digital recording. A total of 500 Kms of traverse is planned.

UNITED KINGDOM

The Wash Area

Your Company holds three licences in the Wash-Fenland area of East Anglia, comprising licences A.373/1, A.374/1 and A.375/1 totalling 406 square miles (259,840 acres). The offshore licences in the Wash contiguous with these onshore licences, which expired at the end of 1964, have not yet been offered by the Ministry of Power for renewal under the Continental Shelf Regulations and the three onshore licences are scheduled for expiry at the end of July 1966. They are however available for renewal thereafter for two twelve month periods at the discretion of the Minister of Power and applications have been made for such renewal for a further one year period.

Further subsurface studies have been carried out in this region during 1965 and the prospective structure on the gravity high near Spalding in Lincolnshire awaits further evaluation.

Lancaster Fells Area

The Lancaster Fells holdings which are divided into three licences, A.370/1, A.371/1, and A.372/1 totalling 419 square miles (268,160 acres) also expire at the end of July 1966 and in view of the favourable prospects delineated by ground survey and photogeological interpretation application has been made to the Ministry of Power for further renewal. It is anticipated that the application will be granted and the exploration of the area has confirmed the favourable prospects of the three structures in Licence A.370/1, namely (a) the Ward Stone anticline; (b) the Whit Moor anticline; and (c) the Knots anticline.

Further study has shown that the Whit Moor anticline offers the best immediate drilling prospect with relatively easy access and moderate drilling depths to approximately 5000 ft. Investigation of availability of drilling rigs for an early test of this structure is now in progress.

London, England,
22nd April 1966.

Respectfully submitted,
COLIN FOTHERGILL,
Ph.D., A.R.S.M., F.G.S.

PLACE GAS & OIL

INCORPORATED UNDER THE LAWS

BALANCE SHEET as

ASSETS

Current:

Accounts receivable	\$ 122,919	
Prepaid expenses	5,714	
Investments, at cost (approximate market value \$86,500)	93,597	\$ 222,230

Investments and other interests (no quoted market value):

Wholly-owned subsidiary—shares, at cost (Notes 1 and 3)	203,553	
—advances	153,621	
Affiliated company—advances	10,431	
Interest in oil syndicate, at cost	29,700	397,305

Capital assets, at cost:

Land, buildings, equipment and supplies	417,172	
Petroleum and natural gas interests	62,546	
Producing wells	814,233	
Other wells	142,965	
Gathering systems	384,189	

1,821,105

Less: Accumulated depreciation and depletion	396,643	1,424,462
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Deferred development and other expenses		545,155
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\$2,589,152

Approved on behalf of the Board:

C. R. J. SMITH, Director.

JOHN B. AIRD, Q.C., Director.

Auditors' Report

To the Shareholders of
Place Gas & Oil Company Limited.

We have examined the balance sheet of Place Gas & Oil Company Limited as at December 31, 1965 and the statements of earned surplus and deferred development and other expenses for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Development and other expenses from inception to December 31, 1965 have been deferred. Inasmuch as the company's activities are still in the exploratory and development stage and all revenue has been applied against the expenditures deferred, the company is deemed to have realized no profit or sustained

no loss to December 31, 1965 and therefore no profit and loss statement is submitted.

In our opinion, the accompanying balance sheet and statements of earned surplus and deferred development and other expenses, when read in conjunction with the notes thereto, present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
April 29, 1966.

HARBINSON, GLOVER & CO.
Chartered Accountants.

COMPANY LIMITED

OF THE PROVINCE OF ONTARIO

at **DECEMBER 31st, 1965**

LIABILITIES

Current:

Bank advance (secured)	\$ 69,837	
Accounts payable	90,439	\$ 160,276

SHAREHOLDERS' EQUITY

Capital stock:

Authorized:

6,000,000 Shares of \$1 par value each

Issued (Note 1):

	Shares	Par value	Discount		
For cash	2,800,007	\$2,800,007	\$ 821,500		
For other consideration	2,000,000	2,000,000	1,570,000		
	4,800,007	\$4,800,007	\$2,391,500	2,408,507	
Earned surplus				20,369	2,428,876
					\$2,589,152

The notes to the financial statements are an integral part of this statement.

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1965

Balance, January 1, 1965		\$ 99,154
Less: Deferred development expenses on abandoned property	\$ 46,797	
Petroleum and natural gas interests abandoned	13,766	
Advances to affiliated company written-off	17,563	
Loss on sale of investments	659	78,785
Balance, December 31, 1965		\$ 20,369

PLACE GAS & OIL COMPANY LIMITED

STATEMENT OF DEFERRED DEVELOPMENT AND OTHER EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1965

Balance, January 1, 1965	\$ 573,961		
Less: Transferred to earned surplus	46,797	\$ 527,164	
Operating expenses:			
Offshore lease rentals	\$ 8,762		
Engineering	12,500		
Taxes, insurance and rent	11,988		
Maintenance and repairs	16,027		
Administration and general	41,797		
Legal and audit	10,779		
Shareholders' information	6,229		
Interest and bank charges	2,676	110,758	
Exploratory development expenses:			
Well development costs	27,464		
Land leases	3,767		
Offshore licences of occupation	5,897	37,128	147,886
Depreciation and depletion			139,680
			814,730
Deduct revenue:			
Gas and oil		278,924	
Miscellaneous		54,465	
		333,389	
Less: Royalties	21,686		
Production expenses	42,128	63,814	269,575
Balance, December 31, 1965			<u>\$545,155</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 1965

- Transactions affecting share capital during the year:
 - In consideration of the issue of 500,000 shares of the company's stock valued at \$200,000, the company acquired the balance of the issued shares of Place Oil & Gas Company (U.K.) Limited.
 - The company issued an additional 200,000 shares for a cash consideration of \$120,000.
- Under the terms of an underwriting agreement dated April 20, 1966, the company issued 100,000 shares for a cash consideration of \$240,000.
- The accounts of the wholly-owned subsidiary, Place Oil & Gas Company (U.K.) Limited, have not been consolidated with those of the company. The subsidiary's year end is May 31 and audited statements at December 31, 1965 are not available. Place Oil & Gas Company (U.K.) Limited is carrying on exploratory work and all expenditures to date have been deferred. Accordingly, no profits or losses have been incurred.
- Total remuneration received by Directors of the Company for their services as Directors or Officers was \$26,475.00 for 1965.

KEY MAP OF POTENTIAL MARKET AREAS OF THE NORTH SEA GAS

0 150 300 450
MILES



